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**NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.**

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February 11, 2015

Mr. Brent J. Fields, Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**RE: Comments in Response to Release Nos. 33-9497; 34-71120; 39-2493; File No. S7-11-13: Proposed Rule Amendments for Small and Additional Issues Exemptions Under Section 3(b) of the Securities Act**

Dear Mr. Fields:

On behalf of the North American Securities Administrators Association (“NASAA”),<sup>1</sup> I write to update the Commission on the implementation and progress of the NASAA Coordinated Review Program for Regulation A Offerings (“the Coordinated Review Program” or “the Program”). As a preliminary matter and as more fully discussed in our March 24, 2014 comment letter,<sup>2</sup> NASAA continues to maintain that the Commission’s proposal to preempt state regulatory oversight of Regulation A offerings as contemplated in the Proposing Release is clearly contrary to the plain language and intent of the applicable statutes. Nonetheless, the states have continued their work to streamline the registration and review process for Regulation A offerings and have successfully implemented the Coordinated Review Program discussed in our prior comment letter.

When the Commission voted to propose rules to implement Title IV of the Jumpstart Our Business Startups (“JOBS”) Act on December 18, 2013, NASAA’s Coordinated Review Program was truly in its infancy. Today, by contrast, there is a robust program in place that has been utilized for the filing and registration of Regulation A offerings in multiple states, even though the offering limit has not yet been raised for Regulation A offerings under Section 3(b)(2). As more fully explained below, through the development and implementation of the Program, the states have effectively and convincingly responded to questions surrounding the costs and efficiency in state registration of Regulation A offerings.

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<sup>1</sup> The oldest international organization devoted to investor protection, NASAA was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico, Puerto Rico, and the U.S. Virgin Islands. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

<sup>2</sup> Available at <http://www.sec.gov/comments/s7-11-13/s71113-75.pdf>.

## NASAA Coordinated Review Program

State securities regulators voted to implement the Coordinated Review Program in April 2014. The Coordinated Review Program is now operational and effective in 46 states and 49 NASAA jurisdictions. The Program streamlines state registration of offerings under both Section 3(b)(1) and 3(b)(2) of the Securities Act and allows for coordination between the jurisdictions where an issuer files for registration. The state securities regulators received their first coordinated review filing in August 2014. On January 30, 2015, the first issuer to participate in the Program, Groundfloor Finance, Inc. (“Groundfloor”), received notification that its offering had been cleared in all NASAA jurisdictions where Groundfloor sought registration.<sup>3</sup> Two additional multi-state offerings have subsequently been filed and are progressing as planned. So far, in every instance, the Coordinated Review Program has met or exceeded the operational guidelines under which offerings are reviewed.

To recap the summary provided in our previous comment letter, the protocol for the Coordinated Review Program establishes that after an issuer files its registration materials with the program administrator, the program administrator selects a lead merit examiner and a lead disclosure examiner from among the states where the issuer seeks registration. If the issuer is not applying for registration in a state that applies merit standards, then the program administrator will identify solely a lead disclosure examiner. The lead examiners are then responsible for drafting and circulating a comment letter to the participating jurisdictions, as well as seeking resolution of such comments with the issuer or the issuer’s counsel. The Program includes strict review and comment timeframes for the participating states, generally no more than a total of 21 business days from start to finish for an offering with no application deficiencies. As noted above, the Program has met or exceeded these service standards in practice.

## Regulation A Offerings: Demonstrated Increased Efficiency with Lower Costs

The Commission’s proposing release, and public statements by the Chair and several Commissioners, including during the SEC’s open meeting on December 18, 2013, have explicitly emphasized the correlation between the cost and efficiency of state review of Regulation A offerings, and the legal and policy basis for the SEC’s contemplated regulatory preemption of state review authority.

As demonstrated by the Groundfloor offering, the Program effectively streamlines the state review process and promotes efficiency by providing centralized filing, unified comments, and a definitive timeline for review. NASAA remains confident that, working together, the Commission and the states can maintain this efficient review cycle and new service standard for the benefit of filers and investors alike.

Groundfloor recently submitted a detailed comment letter describing its experience with the Coordinated Review Program, and contrasting the state-level process with the SEC’s own review process.<sup>4</sup> Groundfloor’s comment letter is an in-depth evaluation of the Coordinated

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<sup>3</sup> The referenced offering has been cleared by the states pending the SEC’s review and approval.

<sup>4</sup> Available at <http://www.sec.gov/comments/s7-11-13/s71113-139.pdf>.

Review Program, highlighting the “actual experience” of an issuer “undertaking one of the largest and most complex Regulation A offerings to date.” While Groundfloor’s comment letter speaks for itself, I do wish to briefly highlight several aspects of the letter that directly address the concerns advanced in the Proposing Release regarding the cost, length and complexity of state-level review.

Cost of the state-level coordinated review: “Defined service standards saved us time and money, providing us with quick answers to substantive legal issues. [...] The only material cost increases [associated with state review] are associated with state filing fees, which become reasonable given the proposed revised offering cap in Tier 2 Regulation A+. The Coordinated Review program has created value by defining concrete service standards. For us, the value of receiving comments in a timely fashion outweighs the marginal costs of filing in multiple states.”<sup>5</sup>

Speed of state-level coordinated review: “Within three business days of filing, we received confirmation of receipt and a letter detailing the review process. The ten states in which we filed chose two lead examiners (a disclosure examiner and a merit examiner). Their contact information was provided. The Coordinated Review states worked with us to ensure the appropriate consent and service of process forms were filed in an efficient way. Our lead examiners were easy to reach and made themselves available. [...] We have been counseled that it will be difficult for the Commission to offer similar service standards given the competing pressures on the Division of Corporate Finance.”<sup>6</sup>

Complexity of state-level coordinated review: “Communication with state examiners has been excellent, and direction on comment responses has been very clear. Examiners were responsive and helpful, ensuring we clearly understood issues as we proceeded through the comment process.”<sup>7</sup>

### Looking Ahead

In enacting Title IV of the JOBS Act, Congress sought to balance the need to promote small business capital formation while preserving the strong investor protections state oversight provides to Main Street investors. State regulators enhanced their ability to deliver timely, useful and substantive comments by implementing the successful Coordinated Review Program, a robust and complementary framework for joint federal and state oversight of this new marketplace. In doing so, state regulators have shown that the Commission’s preemption proposal is not only unlawful as outlined in previous correspondence, but also unnecessary and harmful to the marketplace by repudiating the new service standard created in the Coordinated Review Program.

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<sup>5</sup> See page 2 of Groundfloor Finance, Inc. Nov. 18, 2014 comment letter to SEC, *available at* <http://www.sec.gov/comments/s7-11-13/s71113-139.pdf>.

<sup>6</sup> See page 2 of Groundfloor Finance, Inc. Nov. 18, 2014 comment letter to SEC, *available at* <http://www.sec.gov/comments/s7-11-13/s71113-139.pdf>.

<sup>7</sup> See page 1 of Groundfloor Finance, Inc. Nov. 18, 2014 comment letter to SEC, *available at* <http://www.sec.gov/comments/s7-11-13/s71113-139.pdf>.

I strongly urge you to closely examine NASAA's Coordinated Review Program and take note of the significant developments that have occurred since the Commission voted to propose its rule implementing changes to the rules governing Regulation A offerings.

Sincerely,

A handwritten signature in black ink, appearing to read "William Beatty". The signature is fluid and cursive, with a large initial "W" and a long, sweeping tail.

William Beatty  
NASAA President and Washington Securities Director

CC: The Honorable Mary Jo White, Chair  
The Honorable Luis A. Aguilar, Commissioner  
The Honorable Daniel M. Gallagher, Commissioner  
The Honorable Kara M. Stein, Commissioner  
The Honorable Michael S. Piwowar, Commissioner  
Keith F. Higgins, Director, Division of Corporation Finance